

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 308 - HB 866

February 25, 2015

SUMMARY OF BILL: Authorizes Cheekwood Botanical Garden and Museum of Art in Davidson County to sell alcoholic beverages for on-premises consumption.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

Exceeds \$1,200/FY15-16 and Subsequent Years/General Fund

Decrease State Revenue – \$900/FY15-16/ABC Fund

\$1,200/FY16-17 and Subsequent Years/ABC Fund

Increase Local Revenue – Exceeds \$900/FY15-16 and Subsequent Years

Other Fiscal Impact – For every \$10,000 increase in alcoholic beverage sales, state revenue to the General Fund is estimated to increase by \$1,400 and local revenue is estimated to increase by \$1,000.

Assumptions:

- This bill only applies to Cheekwood Botanical Garden and Museum of Art in Davidson County.
- The Tennessee Alcoholic Beverage Commission (ABC) reports that Cheekwood currently has a catering license and a restaurant license. The current recurring license revenue to the ABC Fund is \$1,375 (\$625 catering license + \$750 restaurant license).
- Under the provisions of this legislation, Cheekwood will be licensed as an urban park center, with a one-time application fee of \$300 and a recurring license renewal fee of \$150. The resulting one-time decrease in revenue to the ABC Fund in FY15-16 is estimated to be \$925 [$\$1,375 - (\$300 + \$150)$]; the recurring decrease to the ABC Fund beginning in FY16-17 is estimated to be \$1,225 ($\$1,375 - \150). It is assumed that Cheekwood will first be licensed as an urban park center in FY15-16.
- Based on information received from the Department of Revenue, it is estimated that this bill will result in a recurring increase in gross sales of alcoholic beverages.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on the additional sales of alcoholic beverages. It is assumed that the facility is currently paying all applicable local privilege taxes, which will remain unchanged.

- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Davidson County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617%.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- This bill will result in new revenue to the state General Fund. The extent of any additional revenue is unknown; however, the new revenue to the General Fund is anticipated, at a minimum, to cover any reduction in revenue to the ABC Fund. Therefore, the recurring increase in state revenue to the General Fund is reasonably estimated to exceed \$1,200 beginning in FY15-16. Based on the minimum anticipated revenue to the General Fund, and the local funding allocation of LBD tax revenue and local sales tax collections, the recurring increase in local revenue is reasonably estimated to exceed \$900 beginning in FY15-16.
- For every \$10,000 in increased alcoholic beverage sales, state revenue to the General Fund is estimated to increase by \$1,425 and local revenue is estimated to increase by \$1,000.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.
- No additional personnel or resources will be required by the ABC.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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